



College of Public Programs

Center for
**Nonprofit Leadership
& Management**
ARIZONA STATE UNIVERSITY

*Arizona Nonprofits:
Scope of the Sector
in Brief*

Prepared by
William A. Brown
Assistant Professor
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Center for Nonprofit Leadership & Management
Arizona State University
www.asu.edu/copp/nonprofit

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Table of Contents

| | |
|--|-----------|
| THE ARIZONA NONPROFIT SECTOR..... | 2 |
| DISTRIBUTION OF TAX EXEMPT ORGANIZATIONS BY IRS CLASSIFICATION | 3 |
| THE ECONOMIC IMPACT OF THE ARIZONA NONPROFIT SECTOR WORKFORCE | 4 |
| WAGES PAID BY TYPE OF NONPROFIT | 5 |
| VOLUNTEERING IN ARIZONA | 5 |
| CHARITABLE 501 (C)3 ORGANIZATIONS..... | 7 |
| GROWTH OF CHARITABLE NONPROFITS | 7 |
| CHARITABLE 501 (C)3 ORGANIZATIONS BY TYPE..... | 8 |
| CHARITABLE 501 (C)3 ORGANIZATIONS BY COUNTY LOCATION..... | 9 |
| CHARITABLE 501 (C)3 ORGANIZATIONS BY REVENUE..... | 10 |
| REVENUE SOURCES FOR SELECTED NONPROFIT ORGANIZATIONS | 11 |
| PRIVATE DONATIONS | 11 |
| FOUNDATIONS IN ARIZONA | 12 |
| NUMBER AND GROWTH OF FOUNDATIONS | 12 |
| FOUNDATION ASSETS | 13 |
| MAJOR FOUNDATION ASSETS 2001 | 14 |

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The nonprofit sector in Arizona is a rapidly expanding, tremendously diverse, and significant force for social and economic success. In the eight years between 1992 and 2000, the sector experienced a 60 percent growth rate; as of November 2002, approximately 18,950 nonprofit organizations were in operation.¹ In 2000, Arizona 501(c)3 classified nonprofits and foundations (which account for the majority of tax-exempt organizations in the state) raised almost 9 billion dollars in revenue and maintained assets of nearly 8 billion dollars. These organizations provide a wide variety of services which contribute to the educational, social, physical, and spiritual well being of the entire society. Everyday we are all indirectly and directly exposed to the contributions nonprofits provide our state.

THE ARIZONA NONPROFIT SECTOR

Nonprofit organizations are classified under the 501 section of the federal tax code. Technically these organizations are termed “tax-exempt entities” because they are exempt from paying taxes on the income they receive. There are many different 501 classifications, however **charitable nonprofits**, classified under section 501(c)3, are the most common. To receive recognition from the Internal Revenue Service (IRS) as a 501(c)3 charitable nonprofit, an organization must exist to serve a public purpose. 501(c)3 charitable nonprofits are the only tax-exempt entity that can receive tax deductible donations.

Approximately 18,950 nonprofit organizations were in operation in Arizona as of November, 2002. This estimate also does not include the unknown number of unincorporated, informal organizations that operate in many ways like nonprofits. This estimate is derived from data provided by the Arizona Corporation Commission, which registers all Arizona corporations (see notes on Arizona Corporation Commission data and our adjustments).

Figure 1

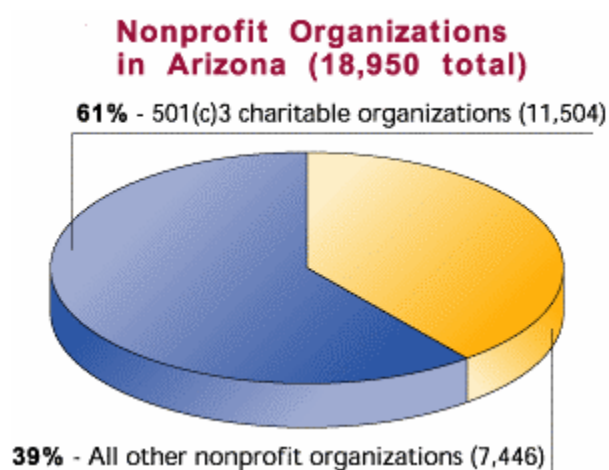


Figure 1 depicts the percentage of nonprofit organizations that are charitable 501 (c)3 versus all other designations (see table 1 for distributions across all 201 designations).

Notes on Arizona Corporation Commission data and our Adjustments

An organization can not formally operate in Arizona without receiving incorporation or authority from the Arizona Corporation Commission (AZCC), therefore we believe their data file to be the most complete registry of Arizona nonprofit organizations. As of November 12, 2002, they had 28,396 nonprofit corporations on file, including those based in Arizona and those based elsewhere but operating in Arizona. The Arizona Corporation Commission removes organizations from their data file only after they have been non-operational for several years. However, due to the difficulty separating defunct and operating organizations, as well as the limited enforcement of the filing requirement, we adjusted their total number to remove expired, defunct, and delinquent corporations, arriving at an estimate of 18,950 *operating* nonprofit organizations. This includes all IRS nonprofit classifications and should be recognized as an estimate. Additionally, it should be understood that many nonprofits have several branches or affiliates but are listed with the AZCC as one organization.

Distribution of Tax Exempt Organizations by IRS Classification

The Arizona Corporation Commission does not track nonprofit organizations by IRS classification, requiring estimates of the number of charitable versus other nonprofit organizations. We estimate that there were **11,504 charitable, 501(c)3 nonprofit organizations operating in Arizona as of November, 2002**—61 percent of all Arizona nonprofit entities (See notes on this estimate).

Table 1 shows the distribution of 501 designations and the estimated number of Arizona organizations within these designations (only those containing at least 20 organizations are listed separately, those with less than 20 are grouped under “all other designations”).

Estimating Tax Exempt Classifications for Arizona

This estimate is based on national IRS data and trends, specifically, the number of organizations officially recognized by the IRS as 501(c)3. However, there are several notable limitations to the data file of organizations who have received 501(c)3 recognition from the IRS. Religious congregations and very small charitable nonprofit organizations (less than \$5000 in revenue) do not have to obtain official IRS 501(c)3 recognition; they have it automatically. The IRS data file therefore systematically under-represents religious congregations and very small nonprofits. In addition, the IRS data file is known to contain some defunct organizations. Taking both these limitations into consideration, we adjusted the number to account for additional religious congregations and very small nonprofits. However, this estimate may still underestimate 501(c)3 organizations. Our future research efforts will include obtaining a more accurate number of 501(c)3 organizations in operation. Both figures, the total number of nonprofits and the number of charitable nonprofits, should be cited with caution due to the inherent data limitations.

Table 1

| IRS 501 Classifications | Estimated % of Nonprofit Organizations | Number Estimated in Arizona |
|---|---|--|
| c(2) Title-holding companies | 0.52% | 98 |
| c(3) Religious, charitable, etc. | 60.71% | 11,504 |
| c(4) Social welfare | 10.16% | 1,926 |
| c(5) Labor, agricultural organizations | 4.72% | 894 |
| c(6) Business leagues | 5.82% | 1,102 |
| c(7) Social and recreation clubs | 4.86% | 920 |
| c(8) Fraternal beneficiary societies | 6.15% | 1,166 |
| c(9) Voluntary employees beneficiary associations | 1.04% | 196 |
| c(10) Domestic fraternal beneficiary societies | 1.60% | 303 |
| c(12) Benevolent life insurance associations | 0.47% | 89 |
| c(13) Cemetery companies | 0.71% | 135 |
| c(14) State-chartered credit unions | 0.32% | 60 |
| c(19) War veterans' organizations | 2.60% | 492 |
| All other designations | 0.33% | 63 |
| Total | 100% | 18,950 |

The Economic Impact of the Arizona Nonprofit Sector Workforce

Figure 2 depicts the wages paid by major economic sectors in Arizona. Data was obtained from the most recent U.S. Economic Census, 1997.² In that year the Arizona nonprofit sector, including all IRS tax-exempt designations, accounted for approximately 6 percent of the total wages paid in the state, as shown in table 2, a reported 2.7 billion dollars. Wages paid by religious congregations are not covered by the Economic Census.

Figure 2 Wages Paid by Major Economic Sectors in Arizona: Circa 1997.

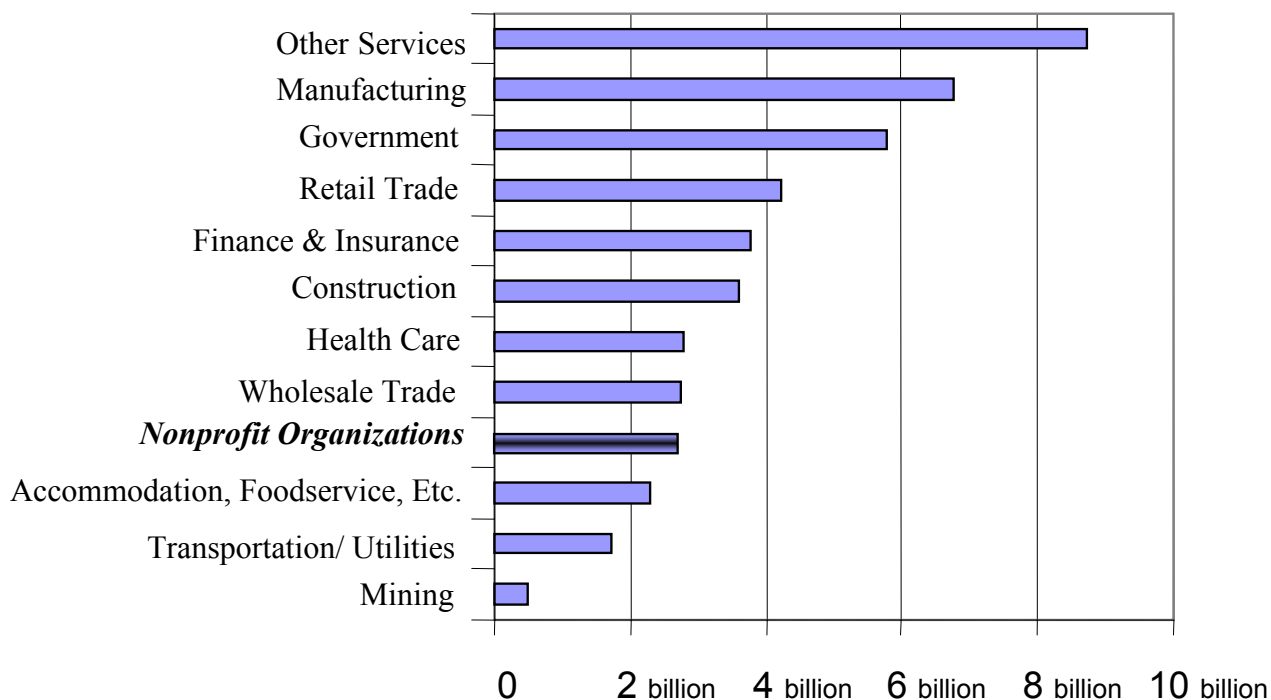


Table 2. Wages Paid by Sector: Circa 1997

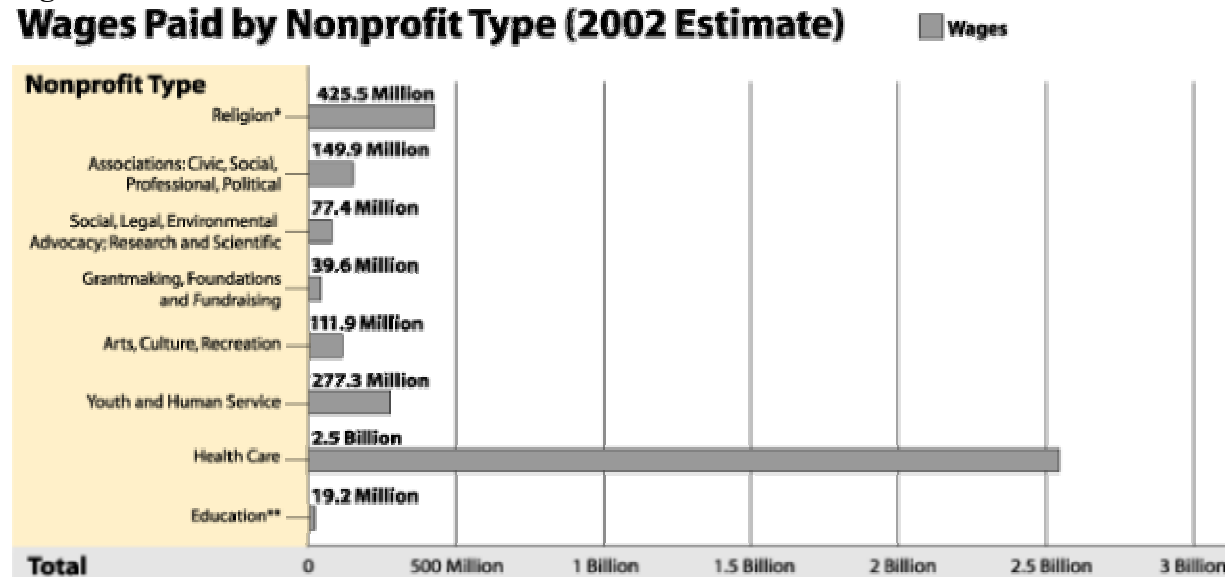
| | Wages (in thousands) | Percent of Total |
|--|-------------------------|---------------------|
| Total | \$45,597,574 | 100% |
| Other Services | 8,726,966 | 19% |
| Manufacturing | 6,753,601 | 15% |
| Government | 5,779,332 | 13% |
| Retail Trade | 4,223,879 | 9% |
| Finance/Insurance/ Real Estate | 3,755,239 | 8% |
| Construction | 3,621,170 | 8% |
| Health care | 2,771,955 | 6% |
| Wholesale Trade | 2,748,880 | 6% |
| Nonprofit Organizations | 2,705,170 | 6% |
| Accommodation, Foodservice & Entertainment | 2,298,776 | 5% |
| Transportation/ Utilities | 1,702,606 | 4% |
| Mining | 510,000 | 1% |

Wages Paid by Type of Nonprofit

Figure 3 contains wages paid by the eight major types of tax-exempt organizations as classified by the Census Bureau. Amounts are adjusted to 2002 levels using employment cost trend information provided by the Bureau of Labor Statistics. Health care organizations, which are predominantly nonprofit hospitals, account for the largest portion of the wages paid by nonprofits, an estimated 2.5 billion dollars in 2002.

Figure 3

Wages Paid by Nonprofit Type (2002 Estimate)



*Religion wages estimated, see note 3

Source: United States Census Bureau, 1997 Economic Census. Adjusted to estimate 2002 wages using employment cost trend information, United States Bureau of Labor Statistics.

Volunteering in Arizona

In addition to paid employees, nonprofit organizations accomplish much of their work through the efforts of volunteers. Volunteers add considerably to the total value of the nonprofit workforce. As documented in the Center's *Arizona Giving and Volunteering Report*, 55.5 percent of Arizona adults reported volunteering with a nonprofit, contributing an average of 3.74 hours per week. The estimated total hours volunteered, excluding informal volunteering, was 389,569,625. This contribution is the equivalent of approximately 210,578 full time positions.⁴

Table 3 specifies where individuals volunteered their time. Almost three-fourths of the adults who volunteer indicated that they participated in some kind of informal volunteering activity (e.g. unpaid time helping a friend, family member or neighbor), and on average they gave about 76.33 hours over a year in these activities. Religion is the next most common category, where volunteers, on average, give almost 100 hours a year.

Table 3. Volunteering in Arizona

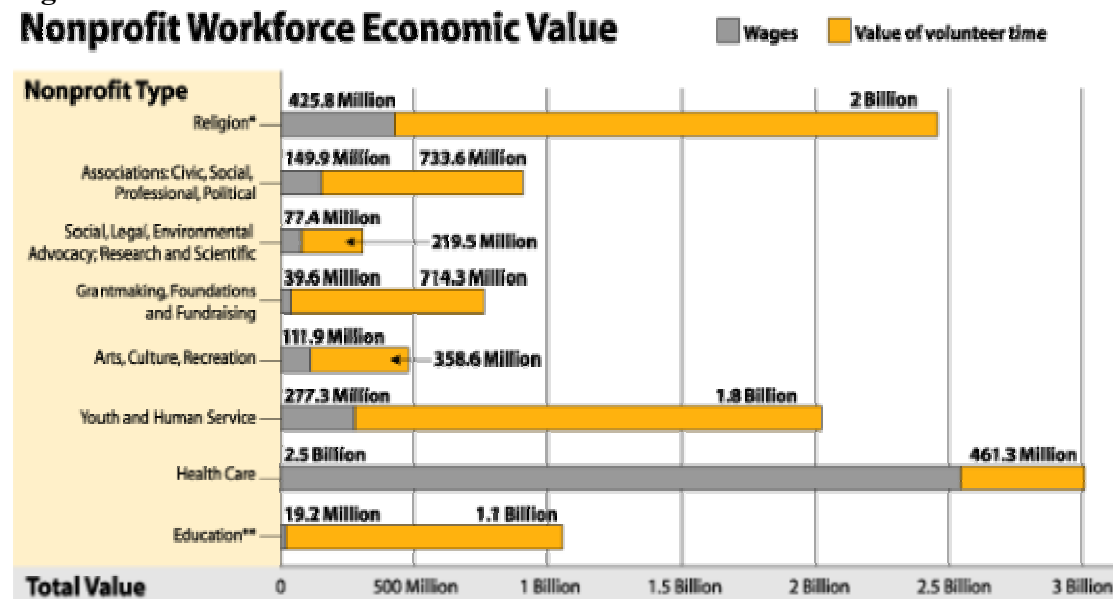
| Organization Type | Percent of Respondents who volunteer | Average number of hours volunteered in previous year |
|---------------------------------------|---|---|
| Religious | 35.2% | 94.6 |
| Education | 28.4% | 61.3 |
| Youth Development | 22.4% | 82.0 |
| Human Service | 19.6% | 52.1 |
| Work related** | 17.9% | 57.9 |
| Private/Community Foundation | 16.7% | 69.9 |
| Health | 14.8% | 50.9 |
| Arts and Culture | 8.0% | 73.2 |
| Political** | 6.0% | 42.0 |
| Environmental | 5.3% | 67.7 |
| Foreign/International | 2.4% | 98.6*** |
| Informal (helping friends, relatives) | 73.2% | 76.3 |

*based on volunteers; hours volunteered reported from respondents

**most organizations in this category are nonprofits but are not 501(c)3

***should be cautiously interpreted due to low number of respondents (24)

Volunteer contributions to each nonprofit organization type are the second section of Figure 4. Using the Independent Sector's calculation of the value of volunteer time for 2002, \$16.54 per hour, the total value of volunteer labor contributed is an estimated 7.33 billion. This adds significantly to the total value of the nonprofit workforce, and when combined with the estimated 3.6 billion dollars in wages paid in 2002, brings **the economic impact of the Arizona nonprofit workforce to nearly 11 billion dollars in 2002.**

Figure 4**Nonprofit Workforce Economic Value**

*Religion wages estimated, see note 3;

**Volunteer value estimate may include volunteering to public schools as well as nonprofit schools and educational organizations

Charitable 501 (c)3 Organizations

As previously noted, 501(c)3 organizations represent approximately 61 percent of all nonprofit entities in Arizona, an estimated 11,504 organizations. The most complete descriptive and financial information on 501(c)3 nonprofit organizations is compiled by the National Center for Charitable Statistics (NCCS), a division of the Urban Institute. The numbers are based on IRS 990 forms, the tax return for 501(c)3 organizations. The remainder of this document uses data from the NCCS (circa 2000), which provides the most complete and accurate description of active 501(c)3 organizations in the state (see notes on National Center for Charitable Statistics data).⁵

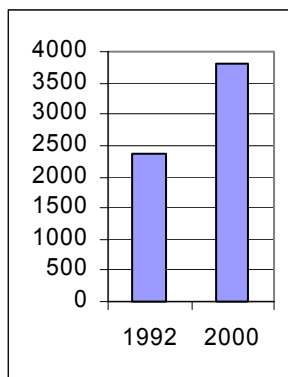
Growth of Charitable Nonprofits

In 1992, 2,378 nonprofit organizations filed a 990 form with the IRS. In 2000, 3,806 organizations filed a 990 form. This represents a 60 percent growth in the number of nonprofit organizations in Arizona. These figures include private foundations that filed a 990 PF: 352 organizations in 1992 and 535 in 2000. These figures indicate dramatic growth of Arizona's charitable nonprofit sector.

Limitations to National Center for Charitable Statistics Data

Only nonprofit organizations with income greater than \$25,000 are required to complete and return a 990 form, although some smaller organizations do complete and return 990s. Religious institutions (e.g., churches) are also not required to complete a 990 form, although some do. Therefore, the descriptive and financial information cited here excludes most small nonprofits and many religious congregations. (Private foundations complete a slightly different form--990PF--that information is presented in the next section.)

Figure 5



Charitable 501 (c)3 Organizations by Type

Nonprofit organizations operate across a wide variety of service areas (see Table 4). Youth and human service organizations are the most common type of nonprofit in the sector, accounting for about a third of those who file 990 tax returns.

Table 4
Nonprofit Organizations by Activity Area (990 Tax Return Filers)

| Type of Activity | Number | Percent of Total |
|---------------------------|-------------|---------------------|
| State Total | 3308 | 100% |
| Youth and Human Service | 1090 | 33% |
| Education | 578 | 17% |
| Other | 397 | 12% |
| Health Care | 368 | 11% |
| Arts, Culture, Recreation | 337 | 10% |
| Religion | 211 | 6% |
| Public Charities | 192 | 6% |
| Environment | 135 | 4% |

Although health care organizations represent only 11 percent of the nonprofits in the state they account for 64 percent of the revenue (see Table 5).

Table 5
Revenue by Activity Area

| Type of Activity | Revenue (in Millions) | % of Total |
|---------------------------|--------------------------|-------------|
| State Total | \$8570.8* | 100% |
| Health Care | 5455.1 | 64% |
| Youth and Human Service | 1064.4 | 12% |
| Education | 735.3 | 9% |
| Public Charities | 342.5 | 4% |
| Arts, Culture, Recreation | 138.2 | 2% |
| Other | 665.5 | 8% |
| Environment | 105.4 | 1% |
| Religion ** | 64.4 | <1% |

*Difference from county total due to rounding

**From n=211 990 Core files, not all congregations

Charitable 501 (c)3 Organizations by County Location

Although geographically disbursed, over 3/4 of the nonprofit organizations that file 990 tax returns in Arizona are located in either Maricopa (56 percent) or Pima (22 percent) county (see Table 6). Similarly, those two counties account for 86 percent of the revenue generated by nonprofits.

Table 6

Number of Nonprofits by County

| County | Number | Percent | Revenue (in Millions) | Percent | Number of Religious Congregations* | Percent |
|--------------|-------------|-------------|--------------------------|-------------|--|-------------|
| Total | 3308 | 100% | \$8571.4 | 100% | 3307 | 100% |
| Apache | 26 | <1% | 50.7 | <1% | 115 | 3% |
| Cochise | 73 | 2% | 84.0 | 1% | 149 | 5% |
| Coconino | 158 | 5% | 266.0 | 3% | 141 | 4% |
| Gila | 31 | 1% | 38.6 | <1% | 74 | 2% |
| Graham | 18 | <1% | 29.7 | <1% | 54 | 2% |
| Greenlee | - | - | - | - | 19 | <1% |
| La Paz | 6 | <1% | 11.9 | <1% | 27 | <1% |
| Maricopa | 1856 | 56% | 5518.9 | 64% | 1552 | 47% |
| Mohave | 56 | 2% | 78.6 | 1% | 92 | 3% |
| Navajo | 48 | 1% | 109.3 | 1% | 168 | 5% |
| Other | 38 | 1% | 13.2 | <1% | - | - |
| Pima | 714 | 22% | 1857.7 | 22% | 448 | 14% |
| Pinal | 65 | 2% | 120.9 | 1% | 158 | 4% |
| Santa Cruz | 30 | 1% | 54.8 | <1% | 31 | <1% |
| Yavapai | 127 | 4% | 166.9 | 2% | 179 | 5% |
| Yuma | 61 | 2% | 170.2 | 2% | 100 | 3% |

*Revenue for religious congregations not available. Source: ARDA <http://www.thearda.com>

Charitable 501 (c)3 Organizations by Revenue

Figure 6. Organizations by Revenue

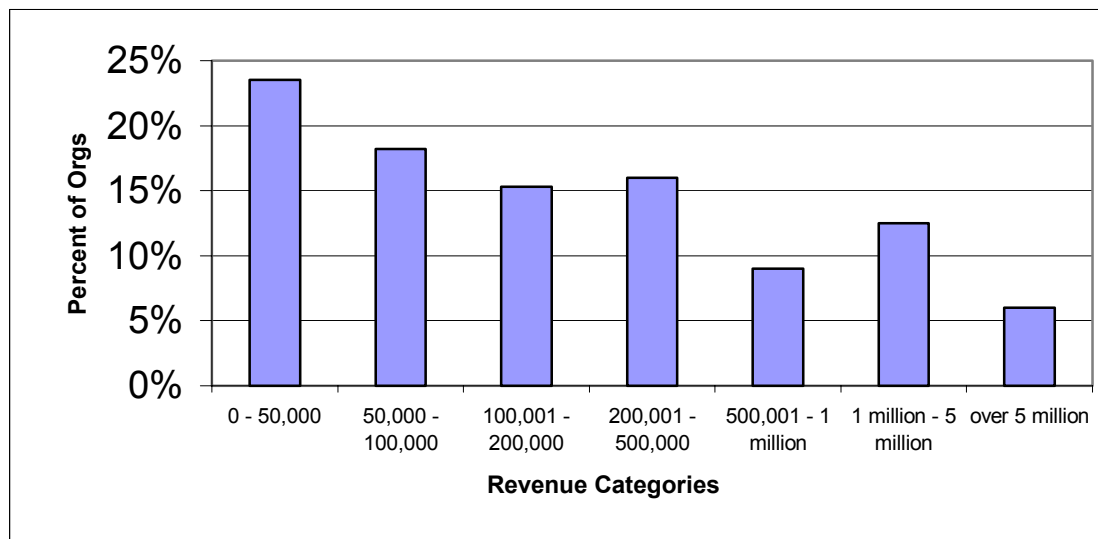
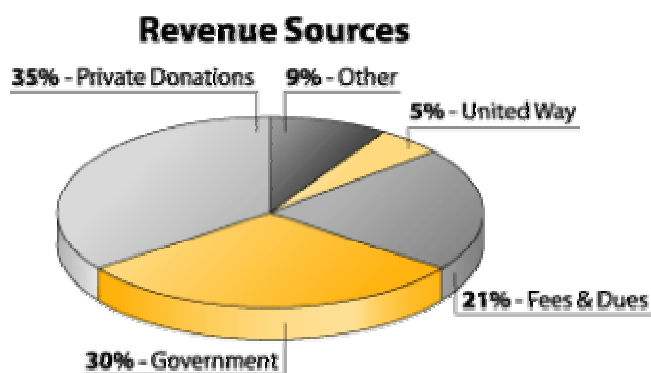


Figure 6 lists the percentage of Arizona nonprofits across seven revenue categories. Of particular interest is that more than half the nonprofits in Arizona that filed tax returns indicated revenue less than \$200,000 a year. When considered with the many small nonprofit organizations that are not required to file at all, it is clear that the vast majority of nonprofits in Arizona are small.

Revenue Sources for Selected Nonprofit Organizations

Analysis of revenue sources for nonprofit organizations in Maricopa County is based upon responses collected in a compensation study conducted in the summer of 2001 by the Arizona State University Center for Nonprofit Leadership and Management. Participant organizations had at least one paid employee and fell into one of the following National Taxonomy of Exempt Entities (NTEE) classifications: arts, community improvement, human service, youth, and recreation. Of the 516 organizations surveyed, 120 usable responses were received, a 23 percent response rate. Although this information is not reflective of all nonprofits in the state, it is informative of this sub-section of nonprofits. Private donations, including grants from the United Way, accounted for 40 percent of the average nonprofit's income, as shown in Figure 8.

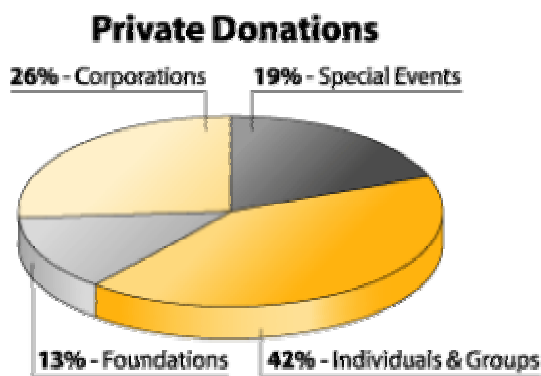
Figure 7. Revenue Sources of Maricopa County 501(c)3 Organizations (circa 2001)



Private Donations

The 35 percent of income generated through private sector donations was further classified in four categories. Individuals, groups and special events accounted for over 60 percent of donations.

**Figure 8
Sources of Private Donations for Maricopa County 501(c)3 Organizations (circa 2001)**



Foundations in Arizona

Foundations represent another significant type of nonprofit in Arizona, which are only partially reflected in the numbers presented above. Private foundations are required to file a 990PF, while public foundations file a regular 990 form. The majority of foundations in the state are classified as private. The analysis of that data is presented here and when appropriate, is combined with information from public foundations. In 2000, 151 public foundations and 535 private foundations operated in the state (see Table 7).

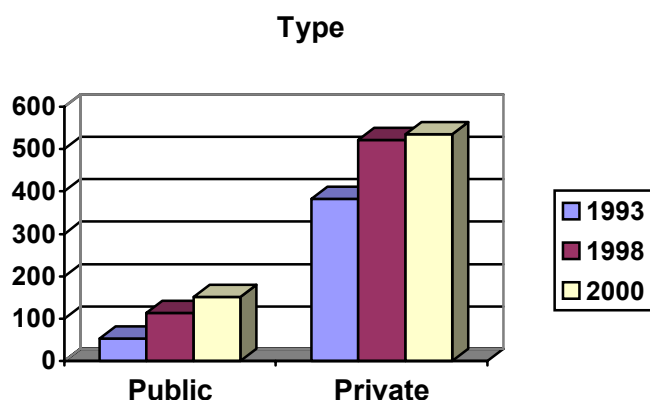
Number and Growth of Foundations

The five-year growth rate (1993-1998) was approximately 46% and 8% in the two year period 1998-2000 for a total growth rate of 57% from 1993 through 2000 (see Table 7). There was significant growth in the number of public foundations, which grew three times as much as of private foundations. In the most recent two-year period, public foundations increased by 32%.

Table 7 Number of Foundations by Type

| Foundation Type | 1993 | 1998 | % Growth | 2000 | % Growth |
|-----------------|------------|------------|------------|------------|-----------|
| Public | 53 | 114 | 115% | 151 | 32% |
| Private | 383 | 522 | 36% | 535 | 2% |
| Total | 436 | 636 | 46% | 686 | 8% |

Figure 9 Number of Foundations by Type



Foundation Assets

As of 2000, 535 private foundations in Arizona (less than 1% of the total number of private foundations in the United States) maintained assets of almost \$1.5 billion, which make up less than half of a percent of the total assets held by private foundations in the United States. This does not include some of the newest private foundations that have been established or those which have acquired significant assets since 2000. As of 2000, there were 151 public foundations in Arizona whose total assets equal \$489,129,895.

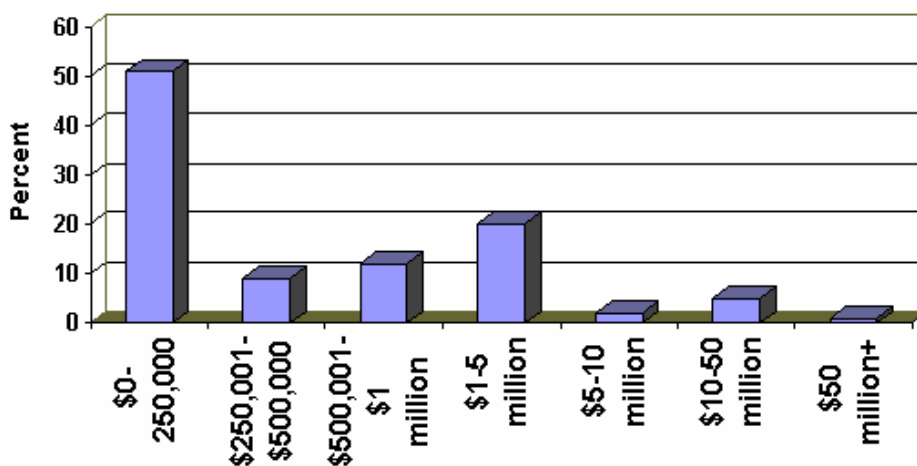
Table 8 Total Foundation Assets: Arizona and US (circa 2000)

| Location | Number of Private Foundations | Total Assets | Number of Public Foundations | Total Assets |
|----------------|-------------------------------|-------------------|------------------------------|---------------|
| Arizona | 535 | \$1,496,049,580 | 151 | \$489,129,895 |
| United States* | 56,582 | \$486,085,311,000 | n/a | n/a |

*Information obtained from The Foundation Center

The vast majority of as private foundations in the state are quite small, however, with nearly 50% holding assets of \$250,000 or less.

Figure 10. Foundation Assets in Arizona



Major Foundation Assets 2001

The following information is based on the collection of individual 990 and 990PF forms from some of the largest foundations in Arizona based on assets. The addition of the Virginia G. Piper Charitable Trust, which accounts for 38% of the assets of the top ten foundations, boosted total assets to \$1.4 billion. Similarly, assets of the top five public foundations grew significantly with the addition of the BHHS Legacy Foundation which accounts for just less than 20% of the nearly \$500 million in assets held by the five largest public foundations in the state.

Table 9 Assets of Major Private Foundations 2001

| Private Foundations | Location | Total Assets |
|--------------------------------------|----------------------|------------------------|
| Virginia G. Piper Charitable Trust | Scottsdale | \$536,246,446 |
| Nina Mason Pulliam Charitable Trust | Phoenix/Indianapolis | \$183,696,747* |
| Flinn Foundation | Phoenix | \$168,124,000 |
| Research Corporation | Tucson | \$147,729,096 |
| The Kemper & Ethel Marley Foundation | Phoenix | \$95,974,039 |
| The Steele Foundation | Phoenix | \$72,842,615 |
| Aurora Foundation | Phoenix | \$65,994,498 |
| Del E. Webb Foundation | Wickenburg | \$55,595,037 |
| Dorrance Family Foundation | Phoenix | \$51,695,885 |
| Rodel Charitable Foundation | Phoenix | \$33,256,079 |
| <i>Total</i> | | <i>\$1,411,154,442</i> |

* This represents half the assets of this foundation, which are split between Phoenix and Indianapolis

| Public Foundations | Location | Total Assets |
|---|-----------------|----------------------|
| Arizona Community Foundation | Phoenix | \$162,557,101 |
| St. Luke's Health Initiatives | Phoenix | \$103,633,951 |
| BHHS Legacy Foundation | Phoenix | \$85,707,405 |
| The Jewish Federation of Greater Phoenix | Phoenix | \$67,404,149 |
| Jewish Community Foundation of Southern Arizona | Tucson | \$35,795,341 |
| <i>Total</i> | | <i>\$455,097,947</i> |

This report is a work in progress and represents our best estimate on the size and scope of the nonprofit sector in Arizona. Throughout the fall of 2003 we will continue to analyze and gather pertinent information to expand our understanding of the sector and compile a more comprehensive report.

Notes

1. This estimate is based on data provided by the Arizona Corporation Commission. Further information on this estimate is provided under the section titled “The Arizona Nonprofit Sector.”
2. The U.S. Economic Census covers establishments with paid employees only. For a discussion of data collection procedures, limitations and the full report see the web site at (<http://www.census.gov/epcd/ec97/az/AZ000.HTM>).
3. Wages paid by religious organizations are not included in the Economic Census. We made a conservative estimate of wages paid by religious organizations using three data sources. From *Religious Congregations and Membership in the United States, 2000*, published by the Association of Statisticians of American Religious Bodies (ASARB), we obtained an estimate number of religious congregations in Arizona. We used the median number of employees (3) reported by religious congregations in *The National Congregations Survey*, and multiplied it by the average salary for clergy from the U.S. Bureau of Labor Statistics. This provides a conservative estimate as the mean number of employees is higher. The titles and salaries, or average amount spent on salaries are not available.
4. Total hours based upon the Arizona non-institutionalized adult population of 3,699,917.00 in 2000, according to US Census data. Full-time equivalent based on an average year of 50 weeks at 37.5 hours.
5. National Center for Charitable Statistics (NCCS), <http://nccs.urban.org/>. Data provided based on 990 forms filed in 1992 and 2000. For additional information visit their web site.